



7 MAR 1956

MEMORANDUM TO: Legislative Counsel  
FROM : Comptroller  
SUBJECT : Comments on S.3199

S.3199 is of interest to this Agency and it is requested that this office be kept informed of action on this proposed legislation. This bill basically contains the recommendations in the report entitled "Budget and Accounting" issued by the Commission on Organization of the Executive Branch of the Government. This office commented on that report in July, 1955. The comments which follow on S.3199 reflect the same position which this office took on the Budget and Accounting report.

Section 1. (a) and (b) (Sec. 216 (b).) deal with the establishment of a reporting system. This Agency now reports directly to the President in his capacity as Chairman of the National Security Council. Because of security considerations, any substantive report that would identify Agency operations could not be consolidated with reports of other agencies in an effectual manner. The budget, as now prepared, included reports on the accomplishments and objectives of various operations to the maximum extent that security permits. The bill proposes that a quarterly reporting system be established within the Agency and, while we are in accord with an internal reporting system, we feel that more flexibility is required concerning the timing of such internal reports.

Section 1.(b) (Sec. 216.(a), (c), (d).) These sections deal with the question of cost and accrued expenditure budgeting and present broad policy questions which, it is believed, require considerable study before an evaluation can be made of the impact of the proposals. It is believed that the problems resulting in each agency differ somewhat and we are not convinced that the installation of a cost system will generally solve the Government's budgeting and accounting problems. It is suggested that thorough consideration be given to the implications of these proposals before any policies are established in the direction of cost or accrued expenditure accounting throughout the Government.

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Section 1. (c) This section deals with the assignment of Bureau of the Budget representatives within the Agency on a rotating basis. Like the Hoover Commission report, this proposal is made on the opinion that the Bureau of the Budget work would be facilitated and agencies assisted by having such representatives. Due to the sensitive character of the operations of this Agency, we do not agree with the proposed legislation to rotate personnel in and out of the Agency. Any individuals regularly assigned to the Agency would be under the same security control as regular Agency employees and would be limited to operational information, based upon the "need-to-know" principle.

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Section 2. (a) This section directs that a coordinated organizational structure, budget classification and accounting systems be established. We are in accord with this proposal and, in fact, have made considerable progress in this area.

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Section 2. (b) This section directs the establishment of accrual accounting. The comments made on cost budgeting (Sec. 1.(b).) are applicable to this section.

Section 2. (c) deals with the establishment of Staff Office of Accounting in the Bureau of the Budget and the establishment of comptrollers for executive agencies. The only comment this office has to make on the Staff Office of Accounting at this time deals with the selection and training of personnel and the making of reports. Due to the security nature of the activities of this Agency, the selection and training of all accounting personnel should be the full responsibility of the Agency rather than a shared responsibility with the Bureau of the Budget. The accounting reporting requirements would have to be governed by the same security approach as that indicated for the progress reports proposed in Section 1. The provision for the establishment of comptrollers and the comptrollers' functions is already effective in this Agency. The only question that we raise concerns the proposal that the appointment of a comptroller would be on the advice of the proposed Assistant Director for Accounting in the Bureau of the Budget. As in the appointment of all other personnel in this Agency, we feel that the Agency should have sole responsibility.

Section 3 deals with the Simplification of the Allotment System. We generally agree with the proposal but do not believe it would be practical to finance all operating units from a single allotment account for each appropriation.

Section 4 deals with single appropriation accounting for the Agency. To the extent that security permits, this Agency already complies with this proposal.

Section 5 proposes a joint study by the Bureau of the Budget and the General Accounting Office covering Government-wide accounting and auditing activities. This office has no comments to make on this section.

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